

BABERGH DISTRICT COUNCIL

From: Head of Corporate Resources	Report Number: P46
To: Strategy Committee	Date of meeting: 11 September 2014

2013/14 FINANCIAL OUTTURN

1. Purpose of Report

- 1.1 This report summarises the 2013/14 financial outturn for the General Fund, Housing Revenue Account and Capital Programme.
- 1.2 This is subject to the external auditor's report on the Statement of Accounts for the year, which will be considered by the Audit Committee on 23 September 2014. The unaudited Statement of Accounts was approved for publication by the Corporate Manager – Financial Services (S151 officer) on 27 June 2014.

2. Recommendations

- 2.1 That the 2013/14 financial outturn as set out in this report and the potential for recurring net savings in the General Fund and HRA Budgets for future years be noted.
- 2.2 That the transfer of £424k relating to the General Fund outturn to the Transformation Reserve to provide additional funding for Strategic Plan delivery projects and achieving future priority outcomes be approved.
- 2.3 That the transfer of £545k relating to the HRA favourable outturn to the HRA Strategic Priorities Reserve (in addition to the £614k planned transfer from HRA working balance) be approved.

The Committee can resolve the above.

3. Financial Implications

- 3.1 These are detailed in the report.

4. Risk Management

- 4.1 This report is most closely linked with a number of the Council's Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Forecast savings and efficiencies are not delivered	Low	Significant	Monitored throughout the year by Finance Teams and Corporate Managers
Economic conditions and other external factors	Low/Medium	Marginal	Focus is on monitoring key income and expenditure streams – but Government changes and economic conditions continue to affect costs and income for a number of services
Capital Programme delivery not on target	Medium	Marginal/ Significant	Regular monitoring by key officers

5. Consultations

5.1 With Heads of Service and Corporate Managers.

6. Equality Analysis

6.1 An equality analysis has not been completed because there is no action to be taken on service delivery as a result of this report.

7. Shared Service / Partnership Implications

7.1 Both authorities continue to work closely together with particular attention given to sharing integration costs and savings between the two Councils, which is reflected in the financial outturn for the year.

8. Key Information

General Fund

8.1 The unaudited accounts show a net favourable variance compared to the budget of £424k for the year (after budget slippages). Details are summarised in the table below.

Service Area	Budget	Actual	Variance Adverse / (Favourable)
	£'000	£'000	£'000
Net expenditure on services	9,474	8,836	(638)
Discretionary grant to Parishes (funded from Government Grant)	215	215	0
Capital financing costs	421	400	(21)
Transfers to / from reserves	(136)	368	504
Total budget requirement	9,974	9,819	(155)
Council Tax	(4,367)	(4,367)	0
Collection fund (Surplus)	(2)	(2)	0
Government Grants-			
Business Rates (incl. S31 grant)	(1,884)	(2,085)	(201)
RSG	(2,808)	(2,808)	0
Rural Sparse Efficiency & Other Grants	(8)	(60)	(52)
Council Tax Freeze (13/14)	(49)	(49)	0
New Homes Bonus	(856)	(872)	(16)
Total funding	(9,974)	(10,243)	(269)
Total (favourable) variance	0	(424)	(424)

8.2 The table below shows the main items that are included in the net favourable variance:

	Actual Variance Adverse/ (Favourable) £'000
Housing Benefits, Council Tax & Business Rates	(208)
Salaries & other staff-related expenditure	(184)
Consultancy & professional fees	(156)
Waste services	(148)
Transformational Challenge Award grant	(72)
Land Charges income	(46)
Community Grants (carried forward – see section 8.23)	(45)
Planning & Building Control Fees	102

	Actual Variance Adverse/ (Favourable) £'000
Other income including recycling credits	60
Other net variances	38
Increased net transfers to Earmarked & General Reserves	504
Total – Services/Budget requirement variance	(155)
Total funding changes	(269)
Total favourable variation	(424)

- 8.3 It is proposed that the overall net favourable variance of £424k is transferred to the Transformation Fund to support the new Strategic Plan programme of work.
- 8.4 A number of the variations result from the very significant changes that have arisen over the last few years, some of which were and still are extremely uncertain. Examples include the welfare and funding reforms that the Government implemented in 2013/14 and budgets had to be based on the best information available with judgements made on the potential impacts.
- 8.5 Specifically, this was the first year of the new business rates retention scheme which has seen a huge change in the basis of funding. This has led to uncertainties on the financial impact of this on individual councils and the Suffolk pooling arrangements including appeals, how the various mandatory and discretionary reliefs are treated and the Government's assumed rates funding baseline.
- 8.6 In terms of the Suffolk pooling arrangements, the unaudited results is a benefit to all Councils of £1.2m for the year, although £1m of this has been set aside as a safety net as part of the agreed governance arrangements for operating the pool. The remaining £0.2m has been split 50/50 between Councils and a Fund for Public Sector Leaders to use on key projects.
- 8.7 Further benefits from the Business Rates pool are anticipated in 2014/15 but uncertainty remains on the actual amounts that will be received due to appeals etc.
- 8.8 Further information on the variations on specific activities is provided in the sections that follow.
- 8.9 Housing Benefits, Council Tax and Business Rates – there was a net saving on Housing Benefits expenditure of £74k. Also, the budget for discretionary rate relief of £60k is no longer required as this is part of the overall funding in the new business rates retention scheme. In addition, there was extra income from summons costs of £28k and additional grants received from the DWP of £46k.

- 8.10 Staffing budgets have been monitored closely throughout the year by the Finance Teams. Integration with Mid Suffolk District Council (MSDC) continued during the year and an overall saving of £350k was allowed for in the budget on salaries and other costs. This was exceeded by £184k as a result of vacancy management and other staffing/integration savings.
- 8.11 An under spend of £156k arose on consultancy and other professional services, mainly on planning and development management matters, of which £100k is included in the budget slippage requests (see section 8.23 below).
- 8.12 The waste service achieved an overall saving of £148k, which resulted from lower net costs of gate fees for recyclable waste, extra income from charges and a budget slippage request (see section 8.23 below).
- 8.13 The Transformational Challenge Award grant received during the year was not fully spent but the balance of £72k will be spent this year (see section 8.20 below covering transfers of reserves).
- 8.14 The budget for Land Charges income had been reduced in anticipation of lower activity but more searches were actually requested, producing additional income of £46k.
- 8.15 Planning fee income was £41k below budget. This is because the budget included an allowance of £100k for Chilton Woods, which has not arisen yet. Ignoring this, other planning fees were £59k more than the budget, reflecting higher activity.
- 8.16 Building Control income was £61k below budget, mainly due to the assumption on overall income levels that were made in the budget being over-optimistic.
- 8.17 Other income, including recycling credit payments received from Suffolk County Council, was down by £60k.
- 8.18 There were a number of other more minor unfavourable and favourable variances, some of which are subject to budget slippage requests.
- 8.19 A statement setting out the net transfers to and from earmarked reserves is included at Appendix A. This includes the additional transfer to the Transformation Fund referred to in section 8.3 of the report. It also reflects transfers to the Transformation Fund of New homes Bonus of £1,419k and the MMI claims reserve of £150k (it was anticipated that this sum would be used to support the Budget but it was not needed).
- 8.20 Further details of the actual transfers/use of reserves in 2013/14 of £368k and the £504k variance compared to the Budget are provided below:

Actual net transfers of £368k (before the £424k additional transfer to the Transformation Fund):

- The transfers to earmarked reserves of £1,617k shown in Appendix A include New Homes Bonus (NHB) of £871k received in 2013/14. The total transfer to the Transformation Fund to support the new Strategic Plan programme of work amounts to £1,993k and includes NHB from previous years
- Transfers from (use of) earmarked reserves of £746k relate to items agreed in the approved Budget and the use of certain earmarked reserves for specific activities/services
- A use of £77k from the General Fund working balance to support the overall Budget, which was slightly less than the £110k allowed for in the Budget - resulting in a working balance at the end of the year of £1.2m, which is just slightly above the minimum recommended level £1.15m.

(Note: overall difference of £2k on individual transfers due to roundings)

Variance of £504k:

The following items (totalling £581k) resulted in a favourable variance i.e. more in earmarked reserves than anticipated in the Budget:

- Anticipated use of £114k New Homes Bonus and £100k other earmarked reserves to support the overall Budget was not required
- Slightly more New Homes Bonus than anticipated of £16k
- Budget slippages to 2014/15 of £199k
- Specific Government grants received but not spent and therefore available for future years of £103k
- Less use of the Integration Reserve of £49k.

However, income of £77k was used from reserves that were not reflected in the Budget, which reduces the total favourable variance to £504k.

- 8.21 Total funding changes totalled £269k, most of which related to business rates income, although this is subject to final sign off by auditors, specifically on the provision made for appeals. In addition, other grants were received from the Government – mainly relating to new burdens funding that was not anticipated.
- 8.22 The expenditure and income variances are being considered further as it is likely that a number of these need to be reflected in the Budget for future years, hopefully resulting in an overall ongoing saving. This will clearly help in meeting the financial challenges that the Council faces and will be picked up as part of the overall baseline review of budgets that is currently taking place, linked to the Priority Based Resourcing exercise.
- 8.23 Members should note that the overall outturn position includes a small number of budget slippage requests totalling £199k, as shown in the table below:

Slippage Requests	£'000
Planning / Development Management professional fees	100
Community Grants – grant aid committed, not yet spent	45
Waste collection – one off projects planned in 2014/15	19
Other slippage requests (below £10k)	35
Total	199

Housing Revenue Account (HRA)

- 8.24 The original budget set for the HRA for 2013/14 showed a deficit of £74k. Due to a number of favourable income and expenditure variations, there was no deficit and, in addition, a transfer of £545k to the HRA Strategic Priorities Reserve is possible. Details of the outturn compared to budget is summarised below.

	Budget	Actual	Variance Adverse / (Favourable)
	£'000	£'000	£'000
Income – rents and charges	(15,477)	(15,786)	(309)
Repairs & Maintenance	2,641	2,479	(162)
Housing Management	2,612	2,533	(79)
Sheltered Housing	324	204	(120)
Capital Funding & Debt Repayment	6,780	7,032	252
External Interest Charges	2,894	2,894	0
Bad Debt Provision	300	99	(201)
Total (Favourable) Variance	74	(545)	(619)
Transfer to Strategic Priorities Reserve	0	545	545
Deficit/(Surplus) for Year	74	0	(74)

- 8.25 There are a number of reasons for the net favourable variance of £619k and the ability to transfer £545k to the Strategic Priorities Reserve, as set out below:

	Actual Variance £'000
Savings and additional income	
Income - More rent and service charge income than expected, largely due to a one off sum of £288k relating to an additional rent week in the year (53 week year) not allowed for in the Budget.	(309)
Repairs & Maintenance - There was less demand for painting and related repairs than anticipated.	(162)

	Actual Variance £'000
Housing Management and Sheltered Housing - Lower staff costs as a result of integration, vacancy management and posts being recruited to later than expected. In addition, there was a budget provision of £100k for redundancy costs that was not required.	(199)
Bad debts - More limited impact from welfare reforms in 2013/14 on rent write offs compared to budget assumption. Revised modelling to be undertaken to establish any future provision required.	(201)
Total savings and additional income	(871)
Less: Capital Funding increase required:	
Higher revenue contribution needed (to fund capital programme slippage and other capital funding requirements). This is mainly due to lower than anticipated capital receipts availability.	252
Overall Expenditure & Income variance	(619)
Less: Anticipated Deficit for the year but no actual deficit	74
Transfer to Strategic Priorities Reserve	(545)

- 8.26 In addition, with a healthy position on the HRA Working Balance, a further £614k was transferred (as planned) to the Strategic Priorities reserve during the year to reduce the level of HRA working balance to the approved minimum level of £1m.
- 8.27 The total amount in the Strategic Priorities Reserve stands at £2,313k at the end of the year, which is available to deliver the Council's HRA Investment Strategy and strategic priorities.
- 8.28 It should be noted that some of the variance in 2013/14 relates to one off items such as the additional rent income. The remaining variations are being examined to ascertain the extent to which these will be repeated in future years. Any ongoing savings will provide additional funding for the HRA Investment Strategy.

Capital Programme

- 8.29 A substantial level of capital investment of £6.9m was undertaken in the year - £4.8m on the HRA and £2.1m on the General Fund (further details are shown in Appendix B). The outturn shows a net favourable variance i.e. an overall saving of £5k, after slippage requests of £2,964k, as summarised in the table below:-

	£'000
Approved Capital Programme	9,868
Actual expenditure	(6,899)
Slippage (see section 8.31 below)	(2,964)
Net capital programme favourable variance	5

8.30 The following items are schemes for which slippage to the 2014/15 capital programme is required, with the requisite capital resources to fund this. These either relate to contractual commitments or are as a result of timing differences on planned spending on asset management and other priority projects.

General Fund	£000
Affordable Housing Schemes	279
ICT Integration and Transformation Costs	189
Community Grants	164
Carbon Reduction schemes	100
Planned maintenance of leisure centres and play areas	73
Planned maintenance of corporate buildings/car parks	71
Regeneration Fund/Property Purchase	(190)
Private Sector Housing and Renovations Grants	(124)
Total	562
Housing Revenue Account	
Housing Investment Fund (New Build)	517
Kitchens & Bathrooms	517
Insulation	379
Central Heating	259
Sheltered Housing Improvements	218
Fences, Gates & Walls	148
Environmental Works	139
Garages, Forecourts etc.	102
Contingent Major Repairs and other work	123
Total	2,402

8.31 The HRA slippage is considerably more than in previous years, which has been in the region of £0.5m. Further information on the key areas is provided below:

General Fund

- Affordable Housing and Community Grants – these are approved or planned projects in progress but have not yet been fully completed

- ICT Integration and Transformation Costs – Work continues on a significant number of projects that are being progressed in 2014/15
- Carbon Reduction Schemes – the installation of PV panels at Kingfisher Leisure Centre is being progressed in 2014/15
- Planned Maintenance (Asset Management) – includes reconstruction works at Pin Mill Car Park which are now scheduled to take place in 2014/15, work on the Headquarters building which have been postponed pending the outcome of the accommodation review and other work on corporate buildings delayed due to the need to appoint a contractor to carry out surveys before tenders are sought
- Regeneration Fund/Property Purchase – Gainsborough Chambers (money brought forward from 2014/15)
- Discretionary housing grants – these are subject to demand and the level of requests received from applicants. The spending profile for the 2013/14 budget allowed for some of these to be completed in 2014/15 whereas a number of applications have been completed earlier than expected.

HRA

- Housing Investment Fund – work is progressing on the programme for new HRA council homes, which proposes 27 additional homes. Delivery of these homes is supported by the award of Homes and Communities Grant totalling £472,500.
- Kitchens & Bathrooms/Central Heating – contracts have been awarded but not completed
- Insulation and other work - a review is being undertaken of these areas to ascertain future priorities and whether any of this funding should be reallocated to the provision of new homes or other strategic HRA priorities. The budget slippages will be re-aligned as necessary and reflected in future HRA business plans.

9. Appendices

Title	Location
APPENDIX A – General Fund Earmarked Reserves	Attached
APPENDIX B – 2013/14 Capital Programme	Attached

10. Background Documents

10.1 None

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General Fund Earmarked Reserves

	Balance at 31 March 2013	Transfers from Reserve	Transfers between Reserves	Transfers to Reserve	Balance at 31 March 2014
	£000	£000	£000	£000	£000
General Fund:					
Slippage Carry Forwards	192	(192)	-	199	199
Babergh/Mid Suffolk Integration	533	(234)			299
Transformation Fund			1,569	424	1,993
MMI Claims Reserve	150	-	(150)	-	-
Government Grants	111	-		103	214
New Homes Bonus	791	(243)	(1,419)	871	-
Welfare Benefits Reform	64	-	-	-	64
S.106 Agreements	292	(22)	-	-	270
Recycling Consortium (BDC Share)	55	(55)	-	-	-
Elections Fund	20	-	-	20	40
Green Initiatives	25	-	-	-	25
Total General Fund	2,233	(746)	-	1,617	3,104

2013/14 Capital Programme

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Expenditure				
Private Sector Housing	504	615	457	(158)
Waste and Environmental Services	152	287	293	6
Cultural & Community Services	458	606	399	(207)
Contracts and Property	655	282	73	(209)
Corporate Services	957	882	882	-
Total General Fund	2,726	2,672	2,104	(568)
Council Housing	6,565	7,196	4,795	(2,401)
Total Capital Programme Expenditure	9,291	9,868	6,899	(2,969)
Open Spaces and Play Areas (funded from S106 contributions)	-	-	53	53
Total	9,291	9,868	6,952	(2,916)
Financed from:				
Non-supported borrowing	624	1,852	1,590	(262)
Capital Receipts	2,086	685	415	(270)
Grants/external contributions	232	249	326	77
S106 Contributions - Open Spaces	114	216	53	(163)
Major Repairs Reserve	3,444	3,444	2,572	(872)
Capital Slippage Reserve	-	631	631	-
Revenue	2,791	2,791	1,365	(1,426)
Total	9,291	9,868	6,952	(2,916)

In addition to the funding for the approved capital programme there were receipts of £53k from S106 agreements used for capital spending on play areas and open spaces.